



Baystate Financial Planning

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Estate Planning Analysis

prepared for:

Milton and Sharon Boston



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2011 ESTATE PLANNING OPPORTUNITY

**The only law that applies
to your estate
is the law in effect when you die.**



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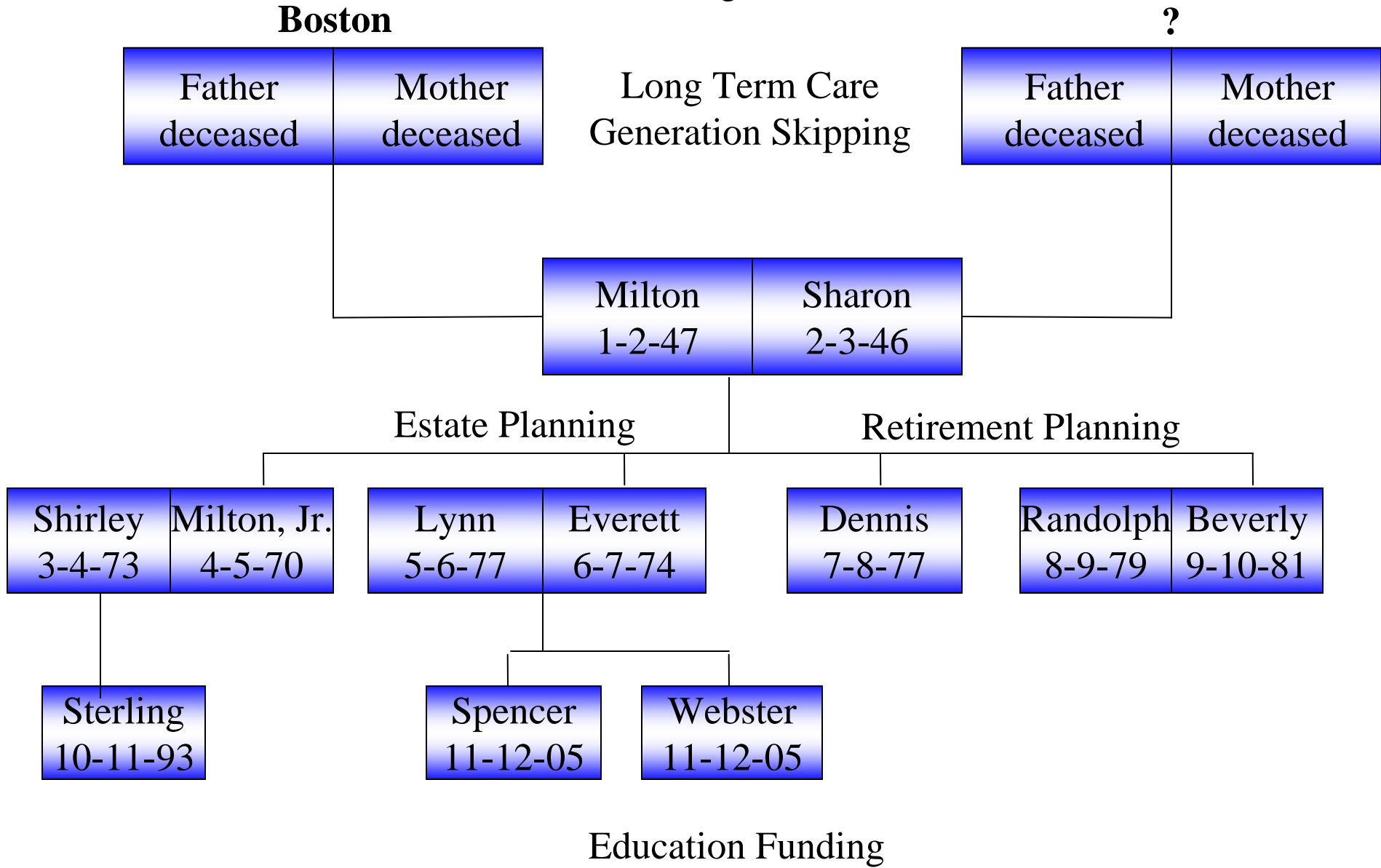
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Estate Planning without rules

**Do you want to be in control
of your estate plan
or leave it up to
your Congress and Legislature?**

Family Tree



Asset Inventory

(client's estimate of value without discounts for lack of marketability or minority interest)

For illustrative purposes only. Information provided by client

	Value	Title	Milton	Sharon
Personal Assets				
Residence -- MA *	400,000	Joint	200,000	200,000
	(0)			
Retirement Accounts	275,000	Individual	275,000	0
Income Taxes **	(0)			
Roth IRAs	1,300,000	Individual	1,150,000	150,000
Investments	0	Individual	0	0
	2,025,000	Joint	1,012,500	1,012,500
Life Insurance	0	Individual	0	0
Anticipated Inheritance ***	0	Individual	0	0
Total Estate:	4,000,000		2,637,500	1,362,500
IRREV TRUST	0		0	0

* Discuss Homestead Election and Liability Umbrella coverage

** If distributed at death (discuss "stretch" alternatives)

*** Anticipated Inheritance -- Discuss Generation Skipping

Asset Inventory

(client's estimate of value without discounts for lack of marketability or minority interest)
For illustrative purposes only. Information provided by client

	Value	Title	Milton	Sharon
Personal Assets				
Residence -- MA *	400,000	Joint	200,000	200,000
	(0)			
Retirement Accounts	275,000	Individual	275,000	0
Income Taxes **	(110,000)		(110,000)	
Roth IRAs	1,300,000	Individual	1,150,000	150,000
Investments	0	Individual	0	0
	2,025,000	Joint	1,012,500	1,012,500
Life Insurance	0	Individual	0	0
Anticipated Inheritance ***	0	Individual	0	0
Total Estate:	3,890,000		2,527,500	1,362,500
IRREV TRUST	0		0	0

* Discuss Homestead Election and Liability Umbrella coverage

** If distributed at death (discuss "stretch" alternatives)

*** Anticipated Inheritance -- Discuss Generation Skipping



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ASSET PROTECTION ...

is the process of:

- **building castle walls around your assets,**
- **digging a moat around the castle walls,**
- **filling the moat with rabid alligators,**
- **installing barbed wire around the moat,**
 - **and then, electrifying the fence**

**BEWARE: Don't lower the drawbridge
allowing the marauding creditors in**

Tax Consequences of Retirement Accounts

	Value
Account Value (Gross)	1,000,000
FIRST: Income Taxes	(400,000)
Net After Income Taxes	600,000
SECOND: Estate Taxes	(300,000)
Net After Estate Taxes	300,000
IRS and DOR (TAXES)	(700,000)

Estate pays the income taxes -- **70%** lost to taxes
Discuss IRD

Tax Consequences of Retirement Accounts

	Value	Value
	Retirement	Taxable
Account Value (Gross)	1,000,000	1,000,000
FIRST: Estate Taxes		(500,000)
Net After Estate Taxes	1,000,000	(500,000)
SECOND: Income Taxes	(400,000)	
Net After Income Taxes	600,000	
IRS and DOR (TAXES)	(900,000)	

“STRETCH” IRA Strategy -- **90%** of IRA value lost to taxes

70% overall value lost to taxes -- discuss IRD

2D



Tax Consequences of Retirement Accounts

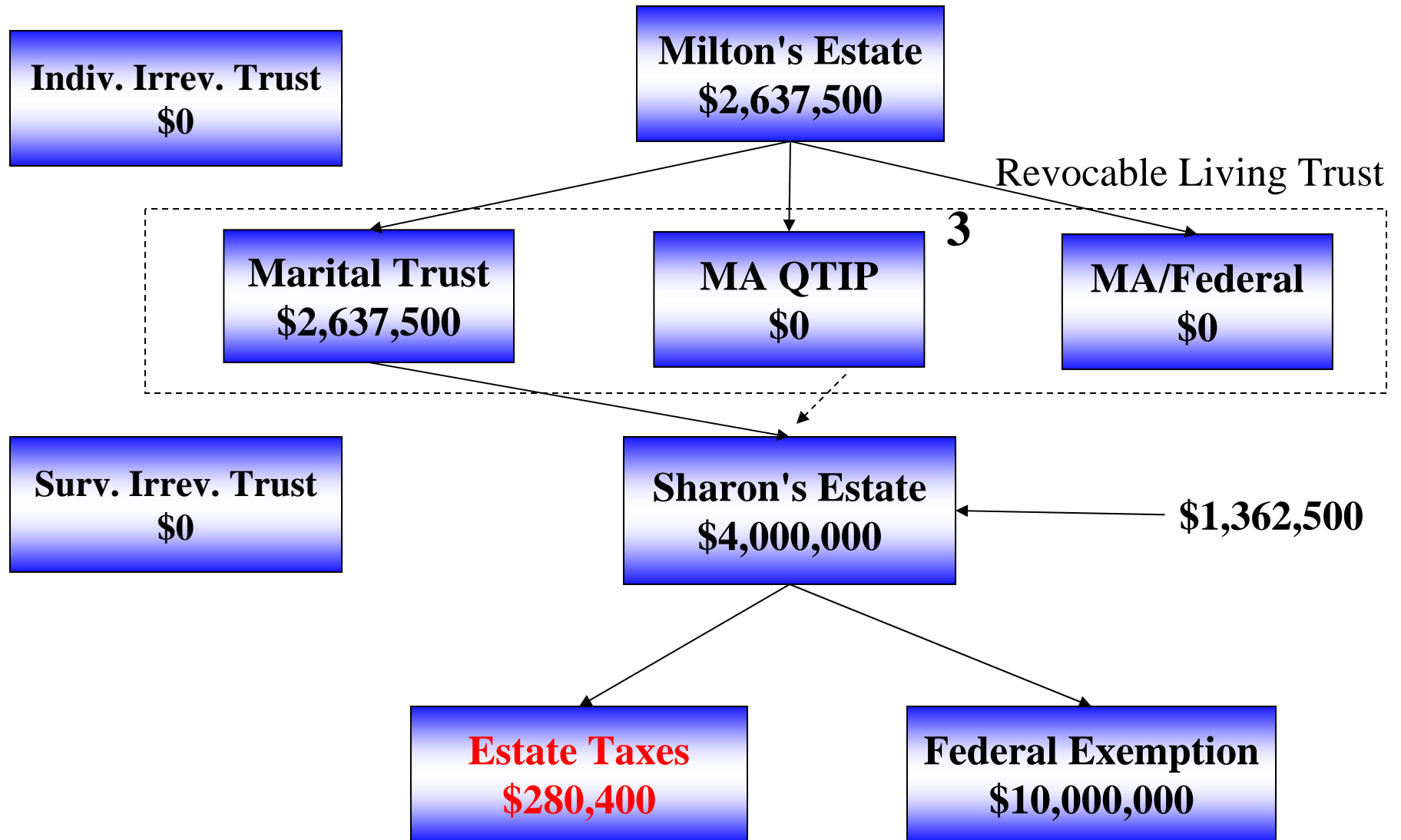
THEREFORE:

Consider, if charitable planning is any part of your estate planning, the first assets to be contributed should be:

retirement plan assets; and

life insurance

2011 Estate Tax, then Income Tax



TOTAL TAXES = \$390,400

Federal Tax? (excluding State tax)

Future Appreciation

hypothetical 7% assumed *

Year	Estate	Exemptions	Estate Tax
2010	\$4,000,000	\$0	\$0
2011	\$4,000,000	\$10,000,000	\$0
2012	\$4,280,000	\$10,000,000	\$0
2013	\$4,579,600	\$10,000,000	\$0
2014	\$4,900,172	\$10,000,000	\$0
2015	\$5,243,184	\$10,000,000	\$0
2016	\$5,610,207	\$10,000,000	\$0

*Rate of return is hypothetical and provided for example purposes only. These figures do not represent investment in any specific product. Actual results will vary.

Federal Tax? (excluding State tax)

Future Appreciation

hypothetical 7% assumed *

Year	Estate	Exemptions	Estate Tax
2010	\$4,000,000	\$0	\$0
2011	\$4,000,000	\$1,000,000	\$1,495,000
2012	\$4,280,000	\$1,000,000	\$1,649,000
2013	\$4,579,600	\$1,000,000	\$1,813,780
2014	\$4,900,172	\$1,000,000	\$1,990,095
2015	\$5,243,184	\$1,000,000	\$2,178,751
2016	\$5,610,207	\$1,000,000	\$2,380,614

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Federal Tax? (excluding State tax)

Future Appreciation

hypothetical 7% assumed *

Year	Estate	Exemptions	Estate Tax
2010	\$4,000,000	\$0	\$0
2011	\$4,000,000	\$3,500,000	\$225,000
2012	\$4,280,000	\$3,500,000	\$351,000
2013	\$4,579,600	\$3,500,000	\$485,820
2014	\$4,900,172	\$3,500,000	\$630,077
2015	\$5,243,184	\$3,500,000	\$784,433
2016	\$5,610,207	\$3,500,000	\$949,593

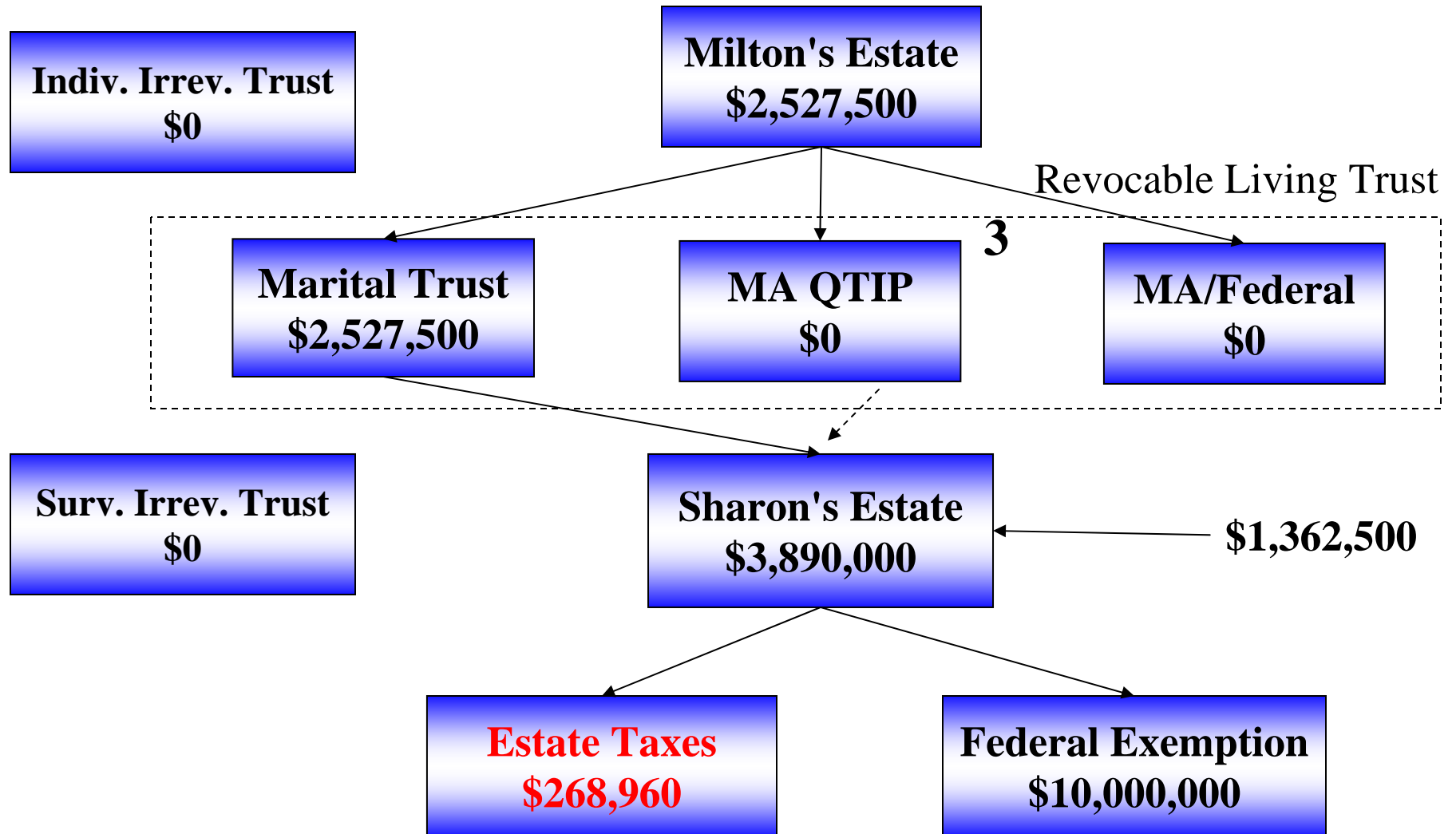
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MA State Tax Future Appreciation hypothetical 7% assumed *

Year	Estate	State Estate Tax	Fed'l Deduct/Credit
2010	\$4,000,000	\$280,400	\$0
2011	\$4,000,000	\$280,400	\$98,140
2012	\$4,280,000	\$309,520	\$309,520
2013	\$4,579,600	\$340,678	\$340,678
2014	\$4,900,172	\$374,018	\$374,018
2015	\$5,243,184	\$418,837	\$418,837
2016	\$5,610,207	\$459,943	\$459,943

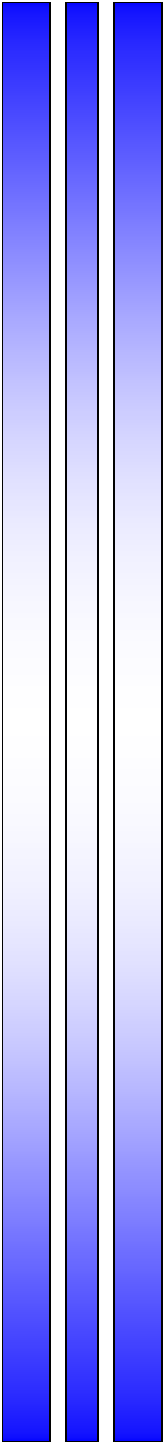
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2011 Income Tax, then Estate Tax



TOTAL TAXES = \$378,960

SAVING: \$11,440

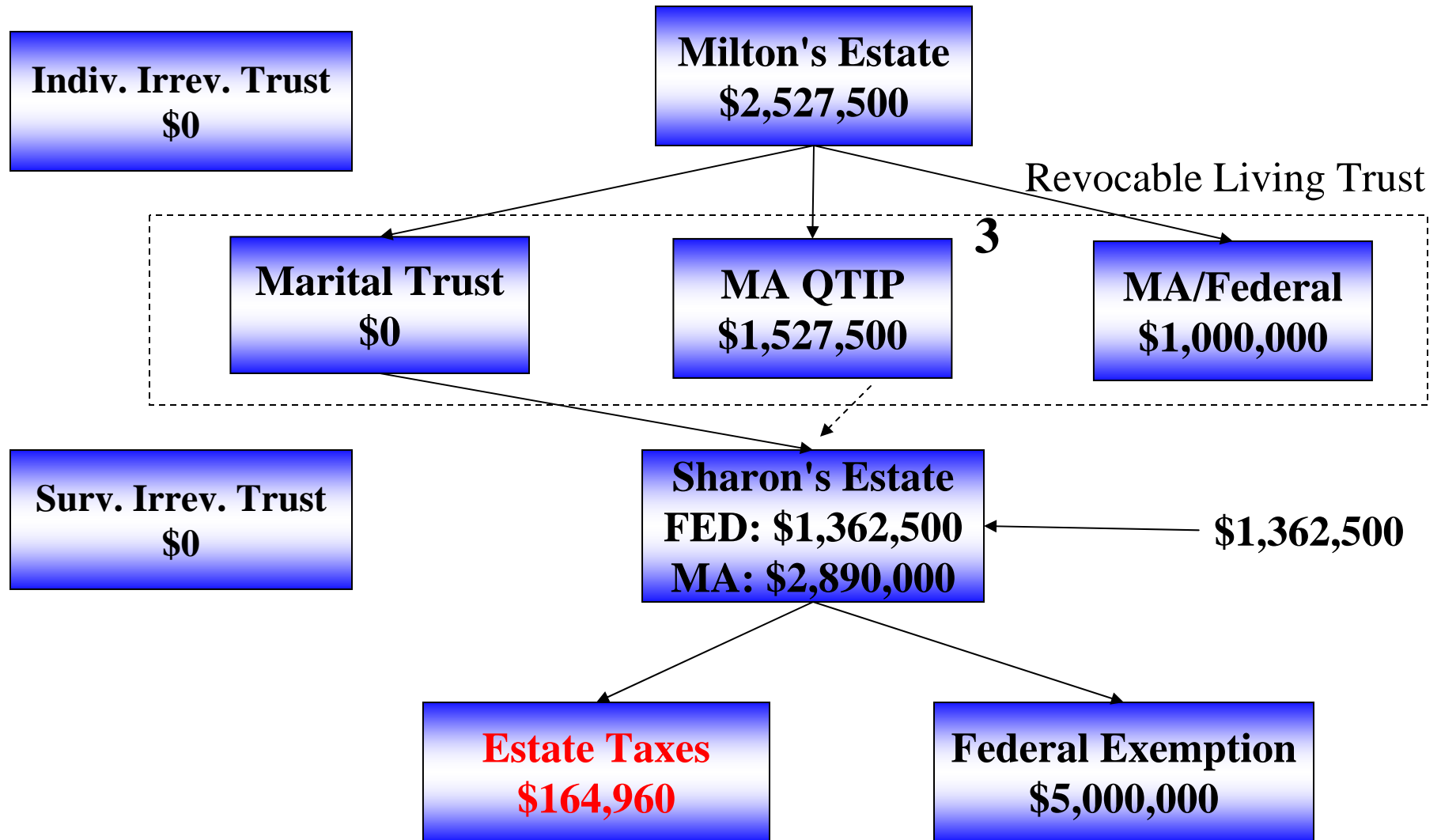


MA State Tax Future Appreciation hypothetical 7% assumed *

Year	Estate	State Estate Tax	Fed'l Deduct/Credit
2010	\$3,890,000	\$268,960	\$0
2011	\$3,890,000	\$268,960	\$94,136
2012	\$4,162,300	\$297,279	\$297,279
2013	\$4,453,661	\$327,581	\$327,581
2014	\$4,765,417	\$360,003	\$360,003
2015	\$5,098,996	\$394,696	\$394,696
2016	\$5,455,926	\$442,664	\$442,664

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2011 Total Estate Tax Savings



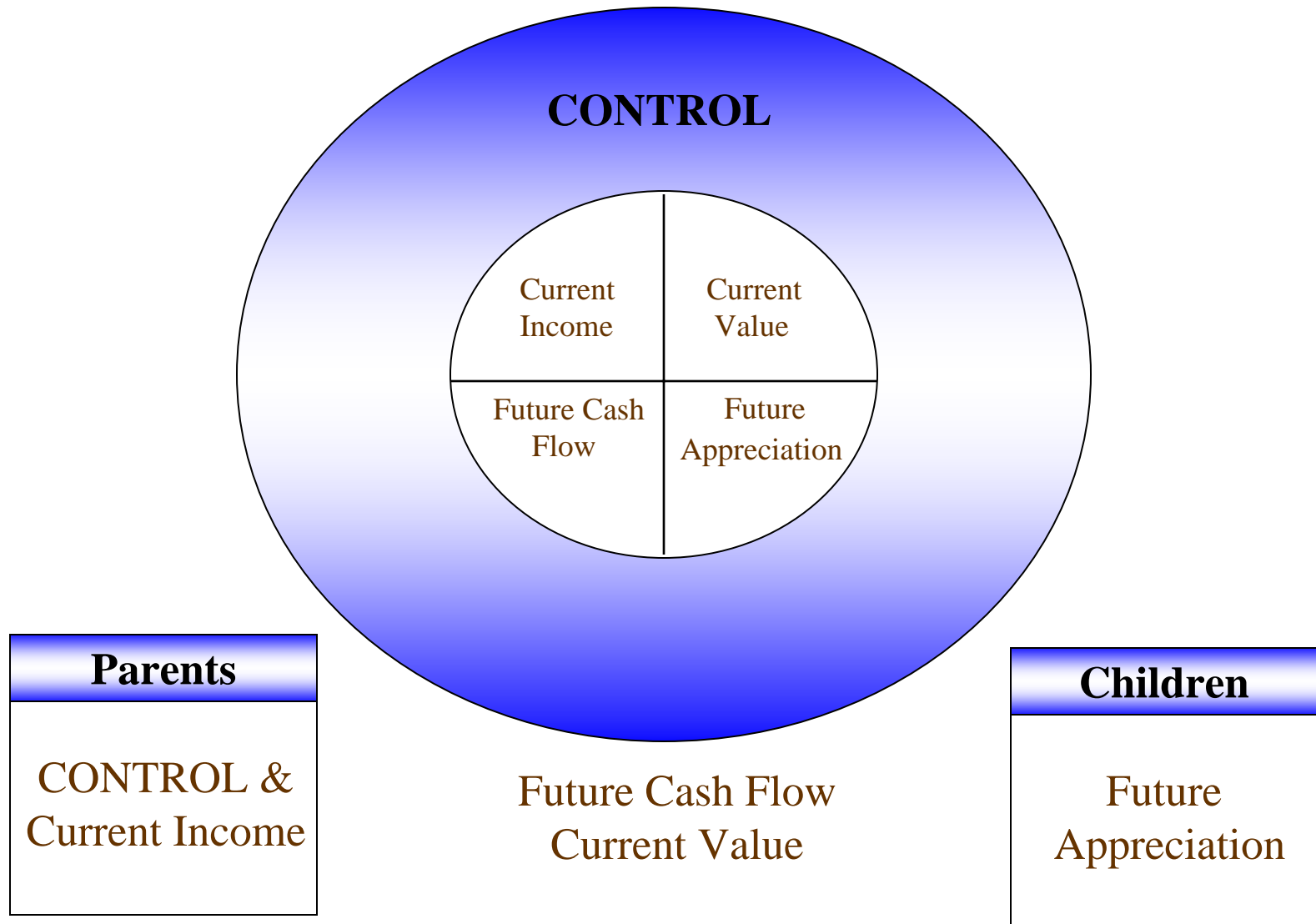
TOTAL TAXES = \$274,960
ADDITIONAL SAVINGS = \$104,000

MA State Tax Future Appreciation hypothetical 7% assumed *

Year	Estate	State Estate Tax	Fed'l Deduct/Credit
2010	\$3,890,000	\$164,960	\$0
2011	\$3,890,000	\$164,960	\$57,736
2012	\$4,162,300	\$193,279	\$193,279
2013	\$4,453,661	\$223,581	\$223,581
2014	\$4,765,417	\$256,003	\$256,003
2015	\$5,098,996	\$290,696	\$290,696
2016	\$5,455,926	\$330,664	\$330,664

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Split Interest Gifting



Split Interest Gifting

The Key to Estate Planning

to Charities

Charitable Remainder
Unitrusts (CRUT); or
Annuity Trusts (CRAT)

Charitable Lead Unitrusts
(CLUT; or Annuity Trusts
CLAT)

Private Foundations and
Donor Advised Funds

for example: Jackie Onassis used testamentary
CLAT to gift memorabilia to Kennedy Library

for example: Malcolm Forbes who kept complete control and used life insurance to pay estate taxes

to Family

Loans at AFR

Sale to ESOP

Sale to Intentionally
Defective Grantor Trust

Grantor Retained
Annuity Trusts (GRAT)

Private Annuities

Self-Cancelling
Installment Notes

Qualified Personal
Residence Trusts (QPRT)

Family Limited Partnerships;
or Limited Liability Companies

for example: Sam Walton used a Family LP to
transfer non-voting stock in Wal-Mart


Herbert K. Daroff, J.D., CFP®

He is an attorney by education and a CERTIFIED FINANCIAL PLANNER™ practitioner by profession.

Mutual Funds magazine (8/2001) recognized Herb as *One of the Top Advisers in the Northeast*,
Worth magazine (7-8/2002) included him in *The 250 Best Financial Advisers*; and
Medical Economics magazine (11/2004) listed him in *The 150 Best Financial Advisers for Doctors*.

Herb's creativity, experience, and resourcefulness enable him to work well with clients and their personal advisors.

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The contents of this presentation are intended for education purposes only.

The presentation provides a brief summary based on our understanding and interpretation of current law.

All tax references are to federal tax law only, unless otherwise stated.

This presentation includes changes made by the 2001 Tax Act.

All these changes are to expire at the end of 2010.

Pursuant to IRS Circular 230:

The information contained in this material is not intended to, and cannot be used to, avoid IRS penalties.

This material supports the marketing and promotion of life insurance.

Seek advice based on your particular circumstances from independent tax, legal, accounting, insurance, investment, and financial advisors.

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Consult with your professional tax advisor about your personal situation before making any decisions.

This is not intended to provide tax or legal advice.

Advisors should not apply any of these concepts to their clients without:

- (1) establishing a mutually agreed upon scope of their engagement;
- (2) gathering necessary and sufficient objective and subjective data given the client's goals, needs, and priorities; and
- (3) evaluating that data and determining alternative strategies consistent with the mutually agreed upon scope of the engagement and the data collected.

**Herbert K. Daroff, J.D., CFP® is a Registered Investment Advisor in Massachusetts
doing business as BAYSTATE FINANCIAL PLANNING.**